

## Message Text

CONFIDENTIAL

PAGE 01 KATHMA 02466 01 OF 02 180404Z  
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-07 MMO-01 PER-01 CIAE-00  
INR-07 NSAE-00 IGA-02 SSO-00 INRE-00 NSC-05  
NSCE-00 SP-02 SS-15 /056 W  
-----180418Z 126792 /12  
O 171120Z JUN 77 ZDK CTG 0438I  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC IMMEDIATE 8596

C O N F I D E N T I A L SECTION 1 OF 2 KATHMANDU 2466

FOR NEA DEPUTY ASSISTANT SECRETARY DUBS & COUNTRY DIRECTOR  
KUX

E.O. 11652 GDS  
TAGS: EAID, NP  
SUBJ: AID FY 79 ABS

1. THE EMBASSY HAS HAD DETAILED DISCUSSIONS WITH AID ON ITS  
FY 79 ABS. IT PROJECTS A FUNDING LEVEL FOR 79 OF \$37.5  
MILLION FOR SUBSEQUENT FYS 80-83. ALTHOUGH NOT DDRESSED  
DIRECTLY, THE ABS ASSUMES AN INCREASE IN DIRET HIRE AMERICAN  
PERSONNEL FROM THE PRESENT CEILING OF 19 (2 OF WHICH ARE  
CURRENTLY UNFILLED AND SUBJECT TO MODE APPROVAL) TO 23 BY ADDING  
ONE IN FY 77, 2 IN FY 78 AND ONE MORE IN FY 79 AND AN INCREASE  
OF 41 IN DIRECT HIRE LOCAL STAFF, 35 OF WHOM ARE PROPOSED TO BE  
ADDED IN FY 77 AND SIX MORE IN FY 78. AN INCREASE IN AMERICAN  
CONTRACT PERSONNEL IS ALSO PROJECTED FROM THE CURRENT 17 T 25  
IN FY 78. HA VING REVIEWED THE ABS THE EMBASSY WISHES TO EXPRESS  
A NUMBEROF RESERVATIONS NOT ONLY ON THE PROPOSED LEVELS, BUT  
ALSO ON SPECIFIC ASPECTS OF THE PROPOSED DECISION PACKAGE.

2. OUR MAJOR RESERVATION ARISES FROM POLITICAL  
AND POLICY CONSIDERATIONS AND PERTAINS TO BOTH THE DOLLAR  
SIZE OF THE PROJECTED FY 79 PROGRAM AND THE PROJECTED  
ADDITIONAL PERSONNEL, BOTH NEPALESE AND AMERICAN. WE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KATHMA 02466 01 OF 02 180404Z

FULLY RECOGNIZE THE HUMANITARIAN AND AID POLICY INTERESTS  
IN ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES, AND THERE  
IS NO QUESTION THAT NEPAL IS AMONG THE MOST NEEDY IN THAT  
CATEGORY. AT THE SAME TIME, HOWEVER, WE MUST BE COGNIZANT  
OF THE COUNTRY'S LIMITED ABSORPTIVE CAPACITY AND FULLY  
AWARE OF THE POLITICAL REALITY THAT OUR AID PROGRAM IS SEEN  
IN NEPAL TO BE A DIRECT REFLECTION OF OUR COMMITMENT TO THE

COUNTRY'S ABILITY TO MAINTAIN ITS INDEPENDENCE. AS OUR MOST RECENT POLICY AND RESOURCES ASSESSMENT (KATHMANDU 1218) NOTES, OUR INTERESTS IN NEPAL ARE CLEARLY LIMITED. HOWEVER, THE PROPOSED LEVEL OF \$37.5 MILLION WOULD UNDOUBTEDLY MAKE US THE LARGEST BILATERAL DONOR IN FY 79. ASSUMING THAT THE CHINESE SURKEHT-POKHARA ROAD PROJECT CONTINUES TO FLOUNDER, AND WITH DIRECT INDIAN AID CONTRIBUTIONS LIKELY TO REMAIN AT CURRENT LEVELS OF 11-13 MILLION DOLLARS, A US AID LEVEL OF THE MAGNITUDE PROJECTED FOR FY 79 AND SUBSEQUENT YEARS WOULD PUT US IN THE FOREFRONT AMONG BILATERAL DONORS AND GIVE A HIGH PROFILE TO THE US COMMITMENT TO NEPAL.

3. OVER THE PAST THREE YEARS HMG HAS EXPRESSED INCREASING CONCERN OVER THE HIGH VISIBILITY AND LIFESTYLE OF FOREIGN AID TECHNICIANS. THIS HAS BEEN THE SUBJECT OF ARTICLES IN THE PRESS, WHICH WERE ACCOMPANIED BY HMG EFFORTS TO CURTAIL SHARPLY BOTH THE NUMBERS OF FOREIGN AID TECHNICIANS AS WELL AS THE PRIVILEGES GRANTED TO THEM. PARTLY IN RESPONSE TO THESE HMG SENSITIVITIES, AS WELL AS TO IMPROVE COLLABORATION WITH HMG, AID INTEGRATED CONTRACTORS IMPLEMENTING AID-FUNDED PROJECTS MORE CLOSELY INTO HMG PROGRAMS, REQUIRING THEM, INTER ALIA, TO WORK AT HMG OFFICES AND ARRANGE FOR THEIR OWN SUPPORT SERVICES. PARTLY AS A CONSEQUENCE OF THIS REDUCED AID SUPPORT ROLE, THE AID MISSION WAS ABLE TO MAKE A SUBSTANTIAL REDUCTION IN LOCAL STAFF, REDUCING IT FROM 122 DIRECT HIRE AND 208 CONTRACT EMPLOYEES IN 1974 TO 72 DIRECT HIRE AND 15 PSC AT PRESENT. AMERICAN DIRECT HIRE STAFF WAS ALSO REDUCED FROM 34 POSITIONS IN MID 1974 TO THE 19 AUTHORIZED AT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KATHMA 02466 01 OF 02 180404Z

PRESENT.

4. THE EMBASSY BELIEVED THAT THE REASONS FOR THESE DECISIONS WERE SOUND AND STRONGLY SUPPORTED THEM. WE CONSIDER THAT THE POLITICAL FACTORS ARGUING FOR A REDUCED STAFF REMAIN VALID. IN ADDITION, WE CONTINUE TO BELIEVE THAT THE MOST PRESSING OF NEPAL'S DEVELOPMENT PROBLEMS CAN BE EFFECTIVELY ADDRESSED BY A LEAN STAFF OF PRACTICAL FIELD MANAGERS AS HAS BEEN THE CASE IN THE LAST FEW YEARS. (IT IS PERTINENT TO NOTE THAT THE INDIANS ARE CURRENTLY MAKING SUBSTANTIAL REDUCTIONS IN THE PERSONNEL OF THEIR AID MISSION.).

5. IN THIS CONNECTION SEVERAL OF THE SPECIFIC RECOMMENDED POSITION INCREASES SEEM QUESTIONABLE. FIFTEEN OF THE NEW NEPALESE POSITIONS REQUESTED ARE MOTOR POOL MECHANICS. OF THESE, ONLY FOUR WERE EVER DIRECT HIRE AID EMPLOYEES. IF AS AID ARGUES, THERE IS A PROBLEM UNDER THE REGULATIONS CONCERNING THEIR CONTINUANCE UNDER A PERSONAL SERVICES CONTRACT, THEIR CONTINUED AVAILABILITY COULD SEEMINGLY BE ARRANGED FOR

UNDER A NON-PERSONAL SERVICES CONTRACT, IN THE SAME WAY THE EMBASSY ARRANGES FOR MUCH OF ITS SUPPORT SERVICES. IN ANY CASE, OUR UNDERSTANDING IS THAT THIS IS A LEGAL ISSUE WHICH STILL HAS SEVERAL YEARS TO RUN BEFORE THE FIVE-YEAR LIMIT IS REACHED, AND WE THEREFORE QUESTION THE NEED TO ADD THESE PEOPLE AS DIRECT HIRE EMPLOYEES IN FY 77. THE THREE REQUESTED POSITIONS FOR RURAL FIELD TREK SUPPORT ALSO APPEAR QUESTIONABLE IN VIEW OF THE AVAILABILITY OF EXCELLENT LOCAL COMMERCIAL FIELD TREK PLANNING AND SUPPORT FACILITIES, WHICH HAVE FURNISHED ENTIRELY SATISFACTORY SERVICE TO THE EMBASSY. THE REQUEST FOR THREE POSITIONS FOR MAINTENANCE OF CONTRACTOR VEHICLES REPRESENTS A SERIOUS STEP BACKWARDS FOR MAID'S PRIOR DECISION, WHICH WE BELIEVE WAS A CORRECT ONE, TO CUT CONTRACTORS FREE OF AID SUPPORT SERVICES, AND WE SEE NO REASON TO REVERSE IT. WHILE KATHMANDU VEHICLE MAINTENANCE FACILITIES ARE NOT UP TO U.S. STANDARDS, AMERICANS WITH EMBASSY PATRONIZE THEM AND MANAGE

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KATHMA 02466 01 OF 02 180404Z

TO KEEP THEIR VEHICLES OPERATIONAL. WE ALSO QUESTION THE REQUESTED DIRECT HIRE OF 5 NEPALESE FOR "PROTECTIVE ANALYSIS OF U.S. FINANCIAL INPUTS". IN SUCH A SERVICE IS NEEDED, WE BELIEVE IT SHOULD BE PROVIDED BY AN AMERICAN WHO WOULD BE IN A BETTER POSITION TO GUARD AGAINST POSSIBLE REPEITION OF FINANCIAL AND OTHER IRREGULARITIES. WITH THE SAME CONSIDERATION IN MIND, WE QUESTION THE REQUESTED ADDITION OF A NEW NEPALESE PROFESSIONAL POSITION FOR GENERAL SERVICES UNLESS HE WERE WORKING UNDER CLOSE AMERICAN SUPERVISION.

6. THERE ARE, HOWEVER, OTHER ASPECTS OF THE PROPOSED PROGRAM WHICH WE WOULD QUESTION. THE \$4.2 MILLION PROPOSED FOR FAMILY PLANNING POLICY RESEARCH STRIKES US AS EXACTLY THE KIND OF PROJECT WHOSE

LONG TERM VALUES, WHILE NO DOUBT VALUABLE, ARE OUTWEIGHED BY THE FACT THAT IT WILL TAKE YEARS BEFORE BENEFITS ACCRUE TO THOSE PERSONS WHOM AID IS COMMITTED TO ASSIST, I.E. THE RURAL POOR. THE ADDITIONAL SECRETARY OF THE MINISTRY OF FINANCE RECENTLY DISCUSSED THIS PROJECT WITH ME, EXPRESSING CONSIDERABLE SKEPTICISM THAT SUCH A PROGRAM RANKED HIGH IN NEPAL'S PRESENT PRIORITIES. WE ALSO QUESTION THE HIGH LOAD OF ADMINISTRATIVE AND CONSULTANCY COSTS BUILT INTO MANY OF THE PROJECTS. WHILE WE RECOGNIZE THAT THESE COSTS WILL NECESSARILY BE HIGH IN A COUNTRY WITH IMMENSE TRANSPORT AND COMMUNICATIONS PROBLEMS, THE COST OF ITEMS SUCH AS AIRCRAFT RENTALS AND SUPPLY OF 4-WHEEL VEHICLES SHOULD BE KEPT TO AN ABSOLUTE MINIMUM TO REMAIN CONSISTENT WITH OUR POLITICAL GOAL OF MAINTAINING A MODEST AID PROFILE. WE NOTE IN THIS REGARD THAT THE RESOURCE CONSERVATION AND UTILIZATION PROJECT CALLS FOR 3000 HOURS OF AIRCRAFT RENTAL

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KATHMA 02466 02 OF 02 171316Z  
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-07 MMO-01 PER-01 CIAE-00  
INR-07 NSAE-00 IGA-02 SSO-00 INRE-00 NSC-05  
NSCE-00 SP-02 SS-15 /056 W  
-----180418Z 113268 /12

R 171120Z JUN 77  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC 8597

C O N F I D E N T I A L SECTION 2 OF 2 KATHMANDU 2466

FOR NEA DEPUTY ASSISTANT SECRETARY DUBS & COUNTRY DIRECTOR  
KUX

TIME WHICH AT CURRENT COSTS ACCOUNTS FOR NEARLY 10 PERCENT OF THE TOTAL PROJECT BUDGET. THE EDUCATION SKILLS TRAINING PROGRAM HAS DEVELOPED INTO A SERIOUS COST OVERRUN FROM THE AMOUNT AID NEPAL ORIGINALLY BUDGETED AND HAS RESULTED IN A TOTAL AND RATHER STAGGERING BUDGET OF \$966,000 TO PROVIDE SOME 21 NEPALESE WITH MASTERS' DEGREES FROM THE UNIVERSITY OF CONNECTICUT. ALTHOUGH NOT DIRECTLY ADDRESSED IN THE CURRENT ABS, WE NOTE THAT \$1 MILLION IS REQUESTED AS AN ADD-ON TO THE CURRENT INTEGRATED HEALTH SERVICES PROJECT FOR THE CONSTRUCTION OF HOUSING FOR RURAL HEALTH WORKERS. IT HAS SEEMED LOGICAL TO US TO ASK WHY THE VILLAGERS THEMSELVES CANNOT CONSTRUCT SIMPLE HOUSING IF PROMISED A HEALTH WORKER; IF THEY WILL NOT, HOW REAL IS THE FELT NEED?

7. WE IN THE EMBASSY DO NOT HAVE THE TECHNICAL EXPERTISE TO COMMENT IN DETAIL ON EVERY PROJECT NOR ON EVERY PROPOSED PERSONNEL ADDITION. BUT WE DO QUESTION SOME OF THE ASSUMPTIONS ON WHICH THE PROJECTS ARE BASED. WITH REFERENCE TO THE PROPOSED \$12 MILLION RESOURCE CONSERVATION PROJECT WE DOUBT THE GOVERNMENT'S ABILITY TO ENFORCE LAND USE AND FORESTRY AND GRAZING LAWS WHERE CONSERVATION PRACTICES WILL BE INTRODUCED. PAST EXPERIENCE SUGGESTS A GREAT WEAKNESS IN BOTH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KATHMA 02466 02 OF 02 171316Z

CENTRAL AND LOCAL GOVERNMENT TO ADOPT, MUCH LESS ENFORCE, CONSERVATION PRACTICES IN RURAL AREAS. WE HAVE FURTHER RESERVATIONS ON THE GOVERNMENT'S REAL COMMITMENT TO A PROJECT OF THIS MAGNITUDE, DESPITE PRONOUNCEMENTS OF HIS MAJESTY. IT MAY BE SEVERAL YEARS BEFORE THE GOVERNMENT AND OTHER DONORS ARE WILLING TO COMMIT RESOURCES TO SOLVE THE PROBLEMS OF ENVIRONMENTAL DEGRATION. WHILE THERE IS NO DOUBT OF THE NEED FOR RESOURCE CONSERVATION IN NEPAL, WE BELIEVE A SIGNIFICANTLY MORE MODEST PROGRAM WOULD BE MORE IN KEEPING WITH HMG'S OWN CURRENT PRIORITIES AND WOULD ALLOW MORE OPPORTUNITY FOR NEEDED STUDY OF THE EXTENSIVE PROBLEMS IN THIS AREA BEFORE COMMITTING A VERY LARGE AMOUNT OF MONEY TO IT.

8. WE HAVE GIVEN CONSIDERABLE ATTENTION TO THE PROPOSAL FOR RURAL AREA DEVELOPMENT IN THE RAPTI ZONE (FOR WHICH \$11.3 MILLION IS PROJECTED IN FY-79), HAVE DISCUSSED IT EXTENSIVELY WITH AID AND THE AID SURVEY TEAM. AND CONTINUE TO HAVE RESERVATIONS ABOUT IT. WE BELIEVE THERE ARE REAL LIMITS ON LOCAL CAPACITY TO SUSTAIN A COMPREHENSIVE AREA DEVELOPMENT EFFORT. THE FINANCE MINISTER TOLD ME RECENTLY HE BELIEVED RURAL DEVELOPMENT ACTIVITY IN NEPAL MUST BE "MODEST AND SELF SUSTAINING" AND SHOULD NOT RAISE EXPECTATIONS AMONG THE PEOPLE WHICH HMG CANNOT FULFILL. IN ADDITION, THERE MAY BE SERIOUS PROBLEMS FOR HMG ARISING FROM A HEAVY CONCENTRATION OF EXPENDITURES IN A LIMITED AREA. WE ALSO SHARE THE VIEW AS EXPRESSED BY THZFAID SURVEY TEAM THAT EXPERIENCE IN ONE AREA MAY NOT BE EASILY DUPLICATED NOR SERVE AS AN EXAMPLE FOR OTHER AREAS IN A COUNTRY AS DIVERSE AS NEPAL. FURTHERMORE, WE SEE SOME POTENTIAL DRAWBACKS IN THE IDENTIFICATION OF ONE AREA AS AN "AMERICAN AREA". WE ALSO SERIOUSLY QUESTION WHETHER DEVELOPMENT ACTIVITY IN THE TERAI/INNER TERAI OF RAPTI ZONE, WHICH WOULD PROBABLY BE THE EASIEST STARTING POINT FOR DEVELOPMENT ACTIVITY IN THE AREA, WOULD AUTOMATICALLY HAVE EFFECTS IN THE MIDDLE HILLS WHERE THE HEART OF THE DEVELOPMENT PROBLEM LIES. FROM OUR DISCUSSIONS WITH THEM, THE AID SURVEY TEAM APPEARED TO SHARE SEVERAL OF THESE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KATHMA 02466 02 OF 02 171316Z

RESERVATIONS. ONE OF THE ASSUMPTIONS OF THE PROJECT IS THAT THE ROAD CONNECTING THE EAST-WEST HIGHWAY TO THE DANG VALLEY WILL BE COMPLETED ON SCHEDULE. HMG HAS PUSHED THROUGH A MOTORABLE TRACK, BUT THE QUESTION OF UPGRADING THE ROAD REMAINS MOOT AND IT IS QUITE POSSIBLE THAT THE PROJECT WILL NOT BE COMPLETED BY 1979. GIVEN THESE CONCERNS WE WOULD URGE A VERY CLOSE EXAMINATION OF THIS PROPOSAL. IF, AFTER FULL CONSIDERATION IN WASHINGTON, IT IS DETERMINED THAT THERE IS MERIT IN A RURAL AREA DEVELOPMENT PROJECT, WE BELIEVE IT SHOULD BE ENTERED INTO SLOWLY, PERHAPS ALONG THE LINES OF OPTION 2F OF THE ABS WHEREBY A PILOT PROJECT WOULD BE DEVELOPED IN ONE DISTRICT OF THE ZONE, PERHAPS ADDING A DISTRICT IN EACH OF THE

SUBSEQUENT YEARS. WE WOULD HOPE THAT SUCH AN APPROACH WOULD AVOID THE LARGE COMMITMENT OF OVER \$11 MILLION AS CURRENTLY PROPOSED FOR A PROJECT THAT SEEMS TO US TO HAVE MANY PITFALLS.

9. FINALLY, WE WISH AGAIN TO EMPHASIZE THE POLITICAL CONTEXT AND OVERALL US POLICY OBJECTIVES IN NEPAL AGAINST WHICH THE FY 79 ABS

MUST BE CONSIDERED. WE DO NOT BELIEVED THE US SHOULD OR NEED BE THE LARGEST BILATERAL DONOR, THE MORE SO GIVEN OUR LARGE MULTILATERAL CONTRIBUTIONS TO AGENCIES ALSO WORKING FOR NEPAL'S DEVELOPMENT. AS NOTED IN OUR ANNUAL POLICY AND RESOURCE ASSESSMENT (KATHMANDU 1218) " A SIGNIFICANT INCREASE OVER CURRENT AID LEVELS WOULD RAISE QUESTIONS CONCERNING NEPAL'S ABILITY--GIVEN LIMITED MANPOWER RESOURCES---OF ABSORBING LARGER PROJECTS AND COULD RAISE FALSE HOPES ABOUT THE LEVEL OF THE US POLITICAL COMMITMENT TO THE COUNTRY". WHILE SOME INCREASE IN EXPENDITURES FROM OUR CURRENT LEVELS COULD BE JUSTIFIED BY OUR REAL CONCERNS ABOUT THE LEAST DEVELOPED, AN INCREASE AS SUBSTANTIAL AS THAT PROJECTED AND THE ATTENDANT REQUESTED INCREASE IN PERSONNEL DO NOT REFLECT THE LIMITED NATURE OF OUR INTERESTS IN AND COMMITMENT TO NEPAL.

EAVES

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FUND ALLOTMENT, FOREIGN ASSISTANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 17-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977KATHMA02466  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770218-0267  
**Format:** TEL  
**From:** KATHMANDU  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770646/aaaaboff.tel  
**Line Count:** 299  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 8608fc7a-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 23-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2115148  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** AID FY 79 ABS  
**TAGS:** EAID, NP  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/8608fc7a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009